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SUBJECT: Gas Dispute -- OMV Sees No Short-Term Solution;
Austria Planning for Industry Rationing

REF: VIENNA 4

Sensitive but Unclassified - not for Internet distribution.

¶1. (U) SUMMARY: Austrian energy company OMV announced early January 7 that Russian natural gas deliveries to Austria have come to a standstill. For the medium term (about three months), OMV's subsidiary EconGas -- which supplies customers -- can compensate from its storage (1.7 bcm), domestic production, and via imports from Western Europe. For the first time in the post-war era, the GOA is considering rationing -- covering only industry for the moment. END SUMMARY.

¶2. (SBU) A working-level contact at OMV Gas International (Astrid Dolak) told us that OMV CEO Wolfgang Ruttenstorfer is in constant contact with his counterparts at Gazprom, but no results are visible. OMV expects no solution "in the coming few weeks". All four lines of the "Brotherhood Pipeline" were shut down and only small quantities are delivered to the Balkan countries, whom OMV recognizes have virtually no storage capacity. NOTE: OMV owns 51% of Romanian energy firm Petrom and has substantial stakes in Hungarian MOL and Croatian Ina -- END NOTE.

¶3. (U) Austrian Economics Minister Reinhold Mitterlehner called an emergency meeting of the GOA Energy Steering Committee for this afternoon to discuss further steps. The GOA MinEcon is considering rationing steps for the first time in the post-war era. Mitterlehner announced that if the situation does not improve by Friday, peak industry consumption may have to be reduced and some electricity power stations may switch from gas to oil. As foreseen in Austrian law (Energy Steering Act), next week the EconMin would issue a government ordinance limiting industrial production. Households and small/medium enterprises can be supplied for "up to" three months according to Mitterlehner, a calculation backed by Austrian energy regulator E-Control.

¶4. (U) Mitterlehner suggested publicly that the EU provide guarantees or loans to Ukraine to help solve the crisis, but ruled out discharging Ukraine's debts. If all joint EU efforts fail, Mitterlehner can imagine a GoA mediator role since Austria "enjoys very good contacts with Russia and Gazprom". Mitterlehner's predecessor, conservative MP Martin Bartenstein, claimed in an interview that he and OMV CEO Ruttenstorfer had met Gazprom director Alexander Medvedev during the 2005/06 crisis "and brought about a solution within 24 hours" (NOTE: at the time, Austria held the EU presidency).

¶5. (SBU) Our MFA contact on this issue (Yvonne Desmedt-Toncic from the Environment and Energy department) emphasized that Austria will coordinate its diplomatic response through the EU. The GoA is not/not planning bilateral initiatives right now, she said (in contrast to

Mitterlehner's public remarks). Desmedt opined that the EU has made substantial progress in recent years in harmonizing, though not formalizing, a common EU foreign energy policy, which she hoped would be used in this conflict.

¶6. (U) Austria currently uses 8-9 bcm of natural gas per year, distributed as follows:

Industry	37% of consumption
Electricity	30%
Households	23%
SME's	10%

Every fourth household in Austria uses gas for heating. In addition to the 1.7 bcm of storage under OMV's control, there is a 1.2 bcm storage facility at Haidach (in Austria, near the German border) but it is connected primarily to the German network and is under the control of German companies Wingas/Wintershall, in partnership with Gazprom.

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